

AN ACT

relating to the financial security requirement for providers obligated under certain service contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1304.151, Occupations Code, is amended by amending Subsection (b) and adding Subsections (b-1), (b-2), and (b-3) to read as follows:

(b) If the provider ensures its obligations under Subsection (a)(2), the amount maintained in the reserve account may not be less than an amount equal to 40 percent of the gross consideration the provider received from consumers from the sale of all service contracts issued and outstanding in this state, minus any claims paid. The executive director may review and examine the reserve account. Except as provided by Subsection (b-1), the ~~[The]~~ amount of the security deposit may not be less than \$250,000. The provider must submit to the executive director on request a copy of the provider's financial statements that must be prepared in accordance with generally accepted accounting principles, be without qualification as to the going concern status of the provider, and be audited by an independent certified public accountant. The commission by rule may require the provider to submit additional financial reports.

(b-1) Subject to Subsection (b-2), the amount of the security deposit required under Subsection (b) may not be less than

1 \$25,000 if the provider:

2 (1) is a motor vehicle dealer licensed under Chapter  
3 2301; and

4 (2) offers to sell service contracts only on motor  
5 vehicles sold by the provider.

6 (b-2) The amount of the security deposit required under  
7 Subsection (b-1) is:

8 (1) \$25,000 for a motor vehicle dealer that generated  
9 \$1,125,000 or less in annual gross revenue in this state from the  
10 sale of service contracts in the preceding year;

11 (2) \$50,000 for a motor vehicle dealer that generated  
12 more than \$1,125,000 and not more than \$2,500,000 in annual gross  
13 revenue in this state from the sale of service contracts in the  
14 preceding year; and

15 (3) \$75,000 for a motor vehicle dealer that generated  
16 more than \$2,500,000 in annual gross revenue in this state from the  
17 sale of service contracts in the preceding year.

18 (b-3) If a motor vehicle dealer described by Subsection  
19 (b-1) has no gross revenue in this state from the sale of service  
20 contracts in the preceding year, the security deposit shall be  
21 \$25,000.

22 SECTION 2. This Act takes effect September 1, 2019.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 4120 was passed by the House on April 25, 2019, by the following vote: Yeas 131, Nays 5, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4120 on May 24, 2019, by the following vote: Yeas 139, Nays 3, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 4120 was passed by the Senate, with amendments, on May 22, 2019, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor